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BEFORE THE  
ILLINOIS COMMERCE COMMISSION  
  
PUBLIC FORUM

ILLINOIS-AMERICAN WATER COMPANY ) Docket No.  
 ) 07-0507  
 )  
 )  
 )  
Proposed general )  
increase in water and sewer rates )

Springfield, Illinois  
Wednesday, March 19, 2008  
7:00 p.m.

BEFORE:

John D. Albers, Administrative Law Judge

SULLIVAN REPORTING COMPANY, by  
Daphne G. Killam, Reporter  
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PROCEEDINGS

JUDGE ALBERS: Ladies and gentlemen, we're going to go ahead and get started now. My name is John Albers. I want to thank you all for coming tonight. I'm one of the two administrative law judges presiding over this rate case at the Illinois Commerce Commission. Usually the Commission's chief public forum officer handles these matters, but he's unavailable tonight. So I'm helping him out.

With me from the Commission, I have John Hendrickson, the manager of the rates department, and Bill Marr, the manager of the water department. Randy Nehrt is also here from the Commission. He is an external affairs bureau chief. And seated over here to my right is our Court Reporter. She'll be taking down all of your comments. And those will be made available to the five commissioners who ultimately decide all cases before the Commission.

The subject of tonight's meeting is Illinois-American Water Company's proposal to

1     increase the rate of charges for water service. We  
2     hope these hearings provide a less formal way for you  
3     to address the Commission and hopefully will  
4     convenience you, as well.

5                     I would strongly encourage anyone who  
6     has anything on their mind to go ahead and share that  
7     with us tonight because that's why we're here. But  
8     if you prefer to make your comments in writing,  
9     however, you can either use our website or you can  
10    mail comments to the address that you can find in  
11    that little blue card on the table when you walked in  
12    tonight. And if you have a written comment with you  
13    already, you're welcome to hand that to me or any of  
14    the other commission employees I already identified.  
15    And also, if you do have a billing or service  
16    complaint, I have been told that there are some  
17    consumer service representatives from  
18    Illinois-American out in the hall that may be able to  
19    help you with that concern.

20                    Just to give you some background on  
21    this case, back in August of -- August 31 of 2007,  
22    Illinois-American filed this case. That started an

1 11-month clock. So, on or about July 30th of 2008,  
2 the Commission will enter a final decision in this  
3 case. The rate process operates -- the rate case  
4 process operates in a very formal manner. We have  
5 testimony, expert witnesses, cross-examination and  
6 legal briefs. Parties to the case include the  
7 Company, our commission staff employees, the Attorney  
8 General's Office, Citizens Utility Board, large  
9 corporations that use a lot of water, as well as  
10 several municipalities, including both the City of  
11 Champaign and I believe the City of Urbana has  
12 intervened, as well. There are also other entities  
13 that have interest in the outcome of this case that  
14 have intervened.

15                   Near the end of this process, I, my  
16 co-administrative law judge will issue a proposed  
17 decision for the Commission's consideration. These  
18 cases can be monitored, if you want to, through our  
19 website. Our website is [icc.illinois.gov](http://icc.illinois.gov). You can  
20 select the e-Docket link on that web page and then  
21 enter the docket number, which is 07-0507, at the  
22 appropriate place. And from that site, you can find

1 every document that has been filed in the case.

2 As for the rules tonight, the most  
3 important rule I ask everyone to follow is to respect  
4 others' opinions while listening and making comments.  
5 I certainly don't expect everyone to agree with what  
6 they hear tonight, but I would expect everyone to  
7 refrain from any heckling or booing.

8 We will take your comments after a  
9 brief presentation by the Company. When we start  
10 taking comments, I will call each of you who have  
11 signed up in the order in which your name appears.  
12 When you come up to speak, please say your name  
13 clearly and spell it for the Court Reporter. If I  
14 see -- if there are -- well, I don't think time is  
15 going to be a problem tonight. If you have a -- if  
16 somebody has a question, though, I would ask you to  
17 please wait until the comment period ends and ask  
18 your question at the end and ask the Company  
19 employees to address those questions.

20 A couple of introductions here before  
21 we begin with the Company's presentation; Senator  
22 Frerichs is in the audience tonight. Senator, do you

1 have any comments you would like to --

2 SENATOR FRERICHS: I'll make it brief.

3 JUDGE ALBERS: That's fine. However long you  
4 would like.

5 SENATOR FRERICHS: I just want to thank the ICC  
6 for holding a hearing in this district. This is an  
7 important issue for a lot of my constituents. Over  
8 the last several months, I have been contacted by  
9 dozens of constituents, small businesses, local  
10 government officials at a time of rising rates on  
11 electricity, gasoline, food and other necessities.

12 The rate increase being asked for is  
13 something that I ask the Illinois Commerce Commission  
14 to be studied thoroughly. Not all of my constituents  
15 could make it here this evening. So I am here to  
16 speak on their behalf in requesting you study  
17 everything, consider what the impact is going to make  
18 and make sure that the case has been made for the  
19 extent of the increase that Illinois-American Water  
20 is asking.

21 I want to thank you for coming here to  
22 my district, to Champaign/Urbana, to hear from the

1 citizens.

2 Thank you.

3 JUDGE ALBERS: Thank you, Senator.

4 One other introduction I would like to  
5 make is Mr. Elias Mossos from the Illinois Attorney  
6 General's Office.

7 ELIAS MOSSOS: Thank you, Judge Albers.

8 Good evening ladies and gentlemen. My  
9 name is Elias Mossos. I'm here on behalf of the  
10 Illinois Attorney General's Office. Our office has  
11 intervened in the Illinois-American Water case, and  
12 our experts are reviewing the data and identifying  
13 ways to keep the cost at a reasonable level. Your  
14 input this evening is greatly appreciated.

15 Thank you.

16 JUDGE ALBERS: Thank you, Mr. Mossos.

17 Now I would like to go ahead and turn  
18 things over to Mr. Barry Suits. He is the network  
19 operations manager for Illinois-American's Champaign  
20 County district.

21 BARRY SUITS: Thank you, Judge Albers. My name  
22 is Barry Suits. I'm a local manager here for



1 Illinois-American Water. I'll definitely keep  
2 tonight's presentation brief. We did hold three  
3 public meetings earlier this year to give a little  
4 bit more detail on our plans to build a new treatment  
5 plant here in Champaign County and other activities  
6 we're taking in the county that represent the driving  
7 factors for this rate increase.

8 I also want to thank the Illinois  
9 Commerce Commission for holding this public hearing.  
10 We think that this is an important process of the  
11 regulated water utility model. And we do appreciate  
12 their holding this meeting and your coming out  
13 tonight.

14 With me tonight, I do want to  
15 introduce a few of the people with our company that  
16 are here to answer questions after the formal part of  
17 the hearing. I have our president of  
18 Illinois-American, Karla Teasley. I have Richard  
19 Kerckhove, our senior financial analyst in our rates  
20 and regulations group. Fred Ruckman is our director  
21 of field operations for Illinois and my boss. And we  
22 have Tim Leahy, our director of government affairs in

1 Illinois.

2 In tonight's presentation, we'll  
3 provide some facts about our local water company, a  
4 little bit about the growing demands for water in  
5 Champaign County. We'll give you some basic  
6 information on the rates filing and update you on how  
7 this water treatment plant and capital investments  
8 during the last five years are going to impact  
9 residential water rates.

10 A little about who we are; we've  
11 served Champaign County for decades as a private  
12 water utility. We're investor-owned and regulated by  
13 the Illinois Commerce Commission. We currently serve  
14 around 51,000 customers here in Champaign County.  
15 80 percent of those reside here in Champaign and  
16 Urbana. Our system consists of now more than 605  
17 miles of pipe, more than 4,000 fire hydrants. And  
18 the water is provided to the distribution system from  
19 two treatment plants, one on Lincoln Avenue in Urbana  
20 and one on Maddis Avenue in Champaign. And we're  
21 currently underway on building a third water  
22 treatment plant to add to that group of two.

1                   Our customers today use about 22  
2   million gallons of water every day on average across  
3   the year. In 2007, our peak day was 33 and a half  
4   million on June 15th.

5                   You can't talk about our company  
6   without talking about the employees. We have 67  
7   people that work here locally. They have an average  
8   number of years of service of 17 years. It's the  
9   commitment of generations of employees providing high  
10   quality water and reliable service that our customers  
11   enjoy the service we have today. The result of all  
12   that work is we have a Class I ISO rating in both  
13   Urbana and Champaign and Savoy. We have been voted  
14   best tasting water numerous times in the past years,  
15   and we've won awards from the EPA for water quality.

16                  On August 31, 2007, Illinois-American  
17   Water filed a rate increase with the Illinois  
18   Commerce Commission. This filing is our first rate  
19   filing in five years and I believe listed the dates  
20   of our prior filings. You can see that on average we  
21   file for rates every two to three years, but it has  
22   been five years since our last rate filing.

1                   If fully approved, the request that we  
2     have made would increase the water service bill  
3     \$13.81 per month or \$0.46 a day for the average  
4     customer using 6,000 gallons of water.

5                   There are two main components of the  
6     rate increase. The first component involves about 44  
7     and a half million dollars of the 51 million dollars  
8     we expect the new treatment plant, I mentioned, to  
9     cost. This equates to about \$6.64 a month or just  
10    under half of the proposed rate increase or 48  
11    percent. If approved as filed, the company will  
12    recover its investment over approximately 45 years  
13    through depreciation as a combined depreciation.

14                  This water treatment plant is also  
15    needed to insure that our customers today receive the  
16    same water service they have been receiving in the  
17    past and also prepares us for the future. About a  
18    third of the treatment plant is directly related to  
19    upgrades we need to make to keep up with water  
20    quality regulations that are ever more stringent each  
21    year from the Illinois EPA.

22                  The other portion of the rate increase

1 or \$7.17 a month or just over half at 52 percent is  
2 related to several items. One is 12.7 million  
3 dollars worth of capital investments we've made  
4 through the end of June 2007 that are already in  
5 place, another 13.4 million dollars worth of  
6 investment for additional capital that we'll be  
7 putting in place between June 30, 2007, and June 30,  
8 2009, the end of the test year.

9 Two thirds of the rate increase that  
10 we've requested represents the revenue requirement of  
11 70.6 million dollars of capital investments we're  
12 making to improve the water system here in Champaign  
13 County. Even with the proposed rate increase, water  
14 delivered to your home will still cost less than a  
15 penny a gallon.

16 In 1996, we initiated a study to  
17 determine when additional capacity would be needed in  
18 Champaign. What we found was the new water treatment  
19 plant would be needed to meet customer demands beyond  
20 2008. Existing water treatment facilities were  
21 determined to have been fully utilized and could not  
22 be expanded. The area had grown up around them. The

1     need for additional capacity was demonstrated last  
2     summer. I mentioned June 15th was our peek day. We  
3     actually asked our customers for volunteer water  
4     restrictions because we were worried that the peek  
5     was going to be set and test the overall capacity of  
6     our treatment plants.

7                     The construction on the new treatment  
8     plant started in late August 2007 and we expect to be  
9     operational in December of 2008. The facility is  
10    built on a 40-acre site west of Champaign on Bradley  
11    Avenue extended. As you can see, it's the small  
12    square right here in yellow. The facility will have  
13    initial capacity of 15 million gallons per day and be  
14    able to be expanded to 20 million gallons per day.

15                    The water company, as part of this  
16    project, is also building seven new wells in a new  
17    well field. That well field is shown in the bluish  
18    color to the west of the new treatment plant  
19    facility. Bombill is located just south right here.  
20    So here's the well field, here's the treatment plant  
21    we're building now.

22                    Along with those wells, we will have

1 four and a half miles of raw water mains and seven  
2 miles of distribution mains to bring the water back  
3 to Champaign/Urbana's existing piping system.

4 As I mentioned earlier, this project  
5 is expected to cost 51 million dollars and is the  
6 major part of our plans to insure the current and  
7 future water needs of our customers in  
8 Champaign/County.

9 A little bit more breakdown on the various  
10 pieces of the rate case; more than 12.7 million  
11 dollars was invested in system enhancements between  
12 September of '03, our last rate hearing, and  
13 June 2007. There were nearly 60 projects that ranged  
14 from 10,000 to 1.4 million dollars. They include  
15 refurbishing of our elevated water tank near  
16 Marketplace Mall, major water main projects on Curtis  
17 Road in Champaign, several water main replacement  
18 projects. Examples of those would be several -- one  
19 on Urbana Street and one on Anderson Street in Urbana  
20 and more than a million dollars worth of upgrades in  
21 our water treatment facilities.

22 More than 13.4 million dollars is

1 going to be spent between July of '07 and June of  
2 '09. These are investments that we make every year.  
3 They're investments in new fire hydrants, new service  
4 connections, water main replacement projects and  
5 additional piping that we're building related to the  
6 new treatment plant to connect the system to the  
7 plant.

8                   We've also worked hard to manage our  
9 own end costs, but yet they've increased by four and  
10 a half percent per year since 2003. Some reasons for  
11 that are the same reasons you may have seen in your  
12 business or home. Our energy and fuel costs have  
13 increased by about 55 percent since our last rate  
14 filing process. Chemical costs have increased by 60  
15 to 65 percent, and labor costs have increased by 28  
16 percent.

17                   While four and a half percent per year  
18 may sound like a number that's not measurable, there  
19 is an average increase in the water and sewer  
20 industries called a CPI for water and sewer. That  
21 index was 6.07 percent per year for that same period.  
22 So we have worked hard to manage our own cost



1     increases.

2                     With that, I would like to thank you  
3     again for coming out and being a part of this  
4     process. And we welcome your participation.

5                     Judge Albers.

6             JUDGE ALBERS: Thank you, Mr. Suits.

7                     Turning now to our commenters, from  
8     what I have so far is a short list. Our first would  
9     be Alice Fletcher.

10            ALICE FLETCHER: My name is Alice Fletcher. I  
11     live at 5 Flora Ct, Champaign, Illinois. My concern  
12     about the Mahomet aquifer and Illinois-American Water  
13     Company go far deeper than the 60 percent increase.  
14     However, it's a vital part of it, also, just the fact  
15     that it's such a large increase.

16                     I'm 77 years old. I have lived in  
17     Champaign all but one and a half of those years and  
18     drank water from a well that my father dug and from  
19     the Mahomet aquifer. It was the purest, best water  
20     I've ever tasted in my life, no chemicals at that  
21     time from the kind of fertilizers, etcetera.  
22     However, I've been really, really concerned about our

1 water and world trade. The whole picture is just  
2 really frightening when I think about how precious  
3 our natural resource of water is. And I learned that  
4 in England. It's very serious. It can be life and  
5 death.

6 A couple of years ago I was watching  
7 C-Span, and a young man was talking about water in  
8 the United States, and I learned that his name was  
9 Andrew Morris. He's a professor of economics in law.  
10 He was giving a lecture to the American Enterprise  
11 Institute in Washington D.C. about water security and  
12 scarcity. He talked about how we all subsidize water  
13 to the deserts of the west. For example, he talked  
14 about how water security and scarcity affects the  
15 markets and how the markets react so quickly to water  
16 sales, et cetera, and water is a natural monopoly.

17 His prediction was that water is going  
18 to be controlled by the Government and that they will  
19 decide where water will go and how much it will cost,  
20 the huge issue of water scarcity is going to move  
21 from rural to urban areas, it was described in the  
22 News Gazette. Professor Morris was at Western

1 University during this period that I saw him deliver  
2 his lecture to the American Institute.

3 But we are lucky he is here in  
4 Champaign now. He was hired by the University of  
5 Illinois. And they described him as a legal and  
6 economic scholar who specializes in regulatory policy  
7 and its economic impact particularly concerning  
8 energy. Those are some huge words in our country  
9 today. And I hope that -- I called his office today  
10 and asked if I could somehow get a copy of the speech  
11 he gave in Washington D.C., the subject of security  
12 and scarcity.

13 And once, our water was wholly, the  
14 province of our municipalities, the U.S.  
15 privatization that's happening with many regulatory  
16 policies that were not very carefully attended to by  
17 our federal government with regards to our most  
18 important resource, in my opinion, water. And then  
19 the RWE, the German utility conglomerates who  
20 purchased American Waterworks in 27 states and three  
21 Canadian provinces is the largest publically traded  
22 water company in the United States. European based

1     -- I gleamed this from a website from RWE and  
2     American Water -- Illinois-American Water, being a  
3     part of the water. European utility giants have been  
4     bidding aggressively for new contacts to run American  
5     water systems. Top corporate players in the world  
6     want our water industry and our water resources.

7                     This is a quote; in 2007, shares of  
8     RWE are all up over 140 percent over their prices of  
9     three years ago. Germany's RWE is trying to divest  
10    American Water Company, which Illinois-American, I  
11    believe, is part of. Approvals are still pending in  
12    New York, New Jersey, Pennsylvania, Kentucky,  
13    Illinois and California as of the date of that  
14    writing. And you can go to your computer and key in  
15    Illinois-American Water Company dash RWE and see some  
16    facts and statistics that are very discomfoting.

17                    My strong opinion, my opinion, is that  
18    RWE, Illinois-American wants Champaign County  
19    customers to build a new plant and then they will  
20    sell it at a great profit. You can clearly see from  
21    the RWE websites that it does not put their huge  
22    profits back into maintenance and building. RWE is

1     only interested in profits according to what the  
2     statistics show of expenditures and profits.

3                     On the websites are many legal cases  
4     against this, their lack of maintenance, et cetera,  
5     like our fire hydrants. I was -- I worked in the  
6     courts for 17 years, and I'm amazed how many lawsuits  
7     were filed against them for non-maintenance problems.  
8     And fire hydrants are important as is everything  
9     about water.

10                    Who are the likely bidders when  
11     Illinois-American goes on the block, which I'm  
12     certain is going to happen? What countries that have  
13     horrible water, their rivers are polluted -- we hear  
14     it all the time. China, Japan and Korea come to mind  
15     as the countries with the money to buy all these  
16     huge companies who own our water resources in the  
17     United States.

18                    And I would like to ask the Illinois  
19     Commerce Commission to not grant any increase in  
20     rates to Illinois-American Water Company, and I ask  
21     our city government in Champaign/Urbana to bypass  
22     their water systems, just get the control back where

1     it belongs. We have the people with the knowledge  
2     and the work force to accomplish this. And I believe  
3     that eminent domain is a perfect avenue for this  
4     procedure. And I really hope this happens.

5                     Thank you.

6             JUDGE ALBERS: Thank you, Ms. Fletcher.

7                     I do not have any other individual who  
8     has signed up for comments tonight. But I certainly  
9     would be happy to hear anyone who would like to make  
10    a comment. So, please.

11            NANCY DIETERICH-RYBICKI: Yeah, I didn't see  
12    where you could sign up. So I'm sorry about that.  
13    But my name a Nancy Dieterich-Rybicki,  
14    D-I-E-T-E-R-I-C-H, hyphen, R-Y-B-I-C-K-I. And I  
15    first wanted to say that I didn't see a whole lot of  
16    publicity about this hearing until a couple of days  
17    ago. So I wouldn't really take a lower turn out to  
18    mean that people aren't interested in this issue. I  
19    think there's a lot of interest and concern about  
20    this issue.

21                     But anyway, as we all know,  
22    Illinois-American Water Company is asking for a 60

1     percent rate increase for Champaign County water  
2     customers, which according to the presentation  
3     earlier, would increase an average customer's monthly  
4     bill by \$13.81 each month. And since I at least get  
5     billed every other month, that would be an average  
6     increase of a little over \$27 on each bill above and  
7     beyond what we already get charged. And this is a  
8     huge increase even taking into consideration the  
9     capital improvements that the company talks about.

10                   My concern about this increase is, is  
11     it really necessary? According to Illinois-American  
12     Water Company's website, they are the largest  
13     investor-owned water utility in the state. And I  
14     have to question whether or not the company is really  
15     more interested or more concerned with making money  
16     for these investors than it is for providing  
17     reasonably priced quality water for its consumers.

18                   And I just want to make the comment  
19     that if the City of Urbana and the City of Champaign  
20     or the State of Illinois requested a 60 percent tax  
21     hike, people would be up in arms -- I think  
22     rightfully so -- about the inefficiencies of

1 government. And so my question is, how efficient is  
2 this corporation in running this business if it needs  
3 a 60 percent tax -- or a 60 percent rate hike?

4 I would personally welcome a little  
5 bit more government oversight over utilities because  
6 there would at least be some accountability among  
7 lawmakers who have to be re-elected. And so I feel  
8 that consumers, and not investor owners, should be  
9 this company's top priority. So I would like to ask  
10 the ICC to look closely to determine whether or not  
11 Illinois-American Water Company really needs the rate  
12 increase.

13 Thank you.

14 JUDGE ALBERS: Thank you, ma'am.

15 Yes, sir.

16 ROBERT SHIERRY: My name is Robert Shierry, and  
17 I live in Champaign and worked for Northern Illinois  
18 Water Corporation for 46 years and retired 14 years  
19 ago. And I'm commenting about some of the things  
20 that has just been said by some of their customers.

21 First of all, the cities have never  
22 owned this water system. It's always been



1 investor-owned from its founding and most water  
2 utilities in Illinois were investor-owned originally.  
3 The other thing is it's interesting to say that  
4 investor-owned utilities don't do a good job. And  
5 here's Illinois-American Water Service taking first  
6 place in the United States for the quality of their  
7 water and has a number one rating by the fire rating  
8 people. No other system in Illinois has a number one  
9 rating and very few do in the whole United States.  
10 And, you know, if they're doing a bad job, they're  
11 doing a very good job of covering it up with getting  
12 these ratings.

13 I could go on and on about the  
14 advantages of investor ownership or municipal  
15 ownership in that responsibilities have been doing a  
16 good job. And as a whole, I think investor-owned  
17 water utilities are better run than municipal ones  
18 and actually have better qualified people running  
19 them.

20 Thank you.

21 JUDGE ALBERS: Thank you, sir.

22 Anyone else tonight that would like to

1 make any comments?

2 Sir.

3 B.J. HACKLEY: I'm B.J. Hackley, the mayor of  
4 the Village of St. Joseph, spelled H-A-C-K-L-E-Y.  
5 The comments I would like to make tonight is I'm here  
6 representing my community of 4,000 people. 60  
7 percent increase is a large increase on any  
8 utilities, and because of that, I think I would be  
9 wrong in my 27 years of being mayor if I wasn't here  
10 before you tonight saying that's a very large  
11 increase. On the other hand, I'll have to say this;  
12 we have had nothing but quality of service in St.  
13 Joe. I've had very few complaints about them.  
14 Whenever we've had water main breaks, they are  
15 generally right on the spot taking care of it.

16 We have expanded. We've had a 29  
17 percent growth in the last five years as our  
18 subdivisions are being developed. They are always  
19 working with us and helping us lay them out. And  
20 water is not an issue because it's always there for  
21 it.

22 So with that, I would say, if an

1     increase of 60 percent seems high, I think the  
2     residents of St. Joe could handle a 30 percent very  
3     easily.

4                     Thank you.

5             JUDGE ALBERS:   Thank you, sir.

6                     Any others?

7                     If there are no others that have any  
8     comments they would like to make, does anyone have  
9     any questions for any of the company officials?

10                    Anyone?

11                    All right.   Well, if no one has  
12     anything else they would like to add for our  
13     transcript tonight, then I will thank everyone for  
14     coming and close this public forum.

15                    Thank you everyone.

16                                 (Whereupon, the public forum in  
17                                 this matter is closed.)

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